

CASE STUDY 3

New Investor – setting yourself up for financial success

George & Joanne



George and Joanne are Brisbane based investors looking to grow a portfolio to supplement their income and wealth creation objectives. While new to property investing, they have armed themselves with lots of knowledge and have read various property investing books & forums and are eager to get started.



Details & Goals:



George & Joanne have \$65,000 saved up from years of savings. George & Joanne are both on gross incomes of around \$75,000 each, with a \$20k credit card limit & no other debts.



They are keen renovators and are looking to find a small 'fixer-upper' in Brisbane to work on.



In the long term, George & Joanne have big aspirations & would like to grow a substantial portfolio over the next 15 years. They are nonetheless risk conscious and want to ensure they can hold onto their portfolio for the long run.





Finance Planning & Strategy:

- We initially began working with George & Joanne by getting a feel for their risk tolerance & ambitions in property. This planning process involved focussing on short term achievable targets & longer term aspirations to target and guide financial behaviour.
- We then devised a short term plan that would allow:
 - o Their cash to be re-utilised for future purchases beyond their first renovator investment. This meant, allowing George & Joanne to revalue their first renovation shortly after completion to release equity for subsequent purchases.
 - o Purchase an additional investment property using the equity created from their first investment.
- In the medium term, we planned out George & Joanne's borrowing capacity for sustained accumulation & risk management over time. We noted that their total borrowing capacity would allow for 3-5 investments, depending on yield & purchase price. This would allow them the couple to stay within bank's lending criteria and grow wealth over time.
 - o A risk management plan to mirror this growth plan was also devised. George & Joanne agreed to lowering their loan to value ratio down to 80% over time & to repay debt via rental income. They also would increase the size of their financial buffer to account for the additional risk involved with property investing.





Results:

One year on, George and Joanne have completed two property purchases; one in South Brisbane and the other on the Northside. They have since decided to use the profits from their first two investments to enjoy a holiday to Southern Europe!

Details of their achievements below:

Property 1: Logan QLD

- Purchase price: \$285,000
- Renovation cost: \$15,000
- Revaluation: \$360,000
- Equity created: \$60,000
- Rental amount: \$415
- Additional deposit available: \$52,800. Used for property two.

Property 2: Deception Bay Brisbane

- Purchase price: \$280,000
- Renovation cost: \$20,000
- Revaluation: \$365,000
- Equity created: \$65,000
- Rental amount: \$430
- Additional deposit available: \$57,200.

Loan structure:

- Loan 1: \$256,000 (88% + LMI loan for first investment)
- Loan 2: \$52,800 (Equity release against Logan used for property two).
- Loan 3: \$251,500 (88% + LMI loan for second investment)
- Loan 4: \$57,200 (Equity release from renovation profit).

Greg and Joanne are now looking to continue to build their portfolio in 2017 and 2018. They plan on repeating the same process interstate in Melbourne & Adelaide next.

Here's what George & Joanne had to say about dealing with Confidence Finance



In my first call with Redom he said that investing was a game of finance. Two years into our journey I know exactly what he means. Partnering with the team at Confidence has been essential to our success. For any budding property investor -having an independent finance expert in your 'team' is key. Redom & his team are the best in the business at what they do.